

Message Text

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PAGE 01 KATHMA 05293 220725Z

14

ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-11 CIAE-00 INR-10 NSAE-00

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FM AMEMBASSY KATHMANDU

TO SECSTATE 7148

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E.O. 11652: N/A

TAGS: NP, EFIN

SUBJECT: AMERICAN BANK SEEMS TO OPEN BRANCH IN NEPAL

1. FIRST NATIONAL CITY BANK HAS OFFICIALLY REQUESTED PERMISSION TO OPEN BRANCH IN KATHMANDU. LETTER REQUESTING PERMISSION WAS DELIVERED DEC 19 TO GOVERNOR SHARMA OF NEPAL RASTRA BANK BY CITIBANK VICE PRESIDENT H. MESERVE. GOVERNOR SHARMA INDICATED THAT HE HOPED TO BE ABLE TO PROVIDE GON'S RESPONSE WITHIN FOUR TO FIVE WEEKS.

2. IN ADDITION TO GOVERNOR SHARMA, CITIBANK REPS DISCUSSED

THEIR INTEREST IN OPENING BRANCH WITH SECRETARY FINANCE BB PRADHAN AND PALACE PRESS SECRETARY CHIRAN THAPA. WHILE ALL INDICATED THEY WERE PERSONALLY IN FAVOR OF ALLOWING A LARGE INTERNATIONAL BANK TO OPEN BRANCH IN NEPAL THEY ALL EXPRESSED CONCERN OVER PROBLEM OF HOW TO HANDLE INDIAN BANKS, WHICH WOULD WANT TO OPEN BRANCHES IN NEPAL, ONCE NEWS WAS OUT THAT CITIBANK HAD APPLIED. MESERVE THOUGHT THEY COULD MAKE DISTINCTION BETWEEN LARGE INTERNATIONAL BANKS, SUCH AS CITIBANK, WHICH WOULD PROVIDE WIDE SPECTRUM OF SERVICES IN AREAS SUCH AS MOBILIZATION OF CAPITAL WHICH ARE NOT COMPETITIVE WITH NEPALESE BANKS, WHEREAS INDIAN BANKS WOULD BE INTERESTED IN RETAIL OPERATIONS AND FINANCING OF BORDER TRADE, AREAS IN WHICH NEPALESE BANKS ARE ALREADY ACTIVE.

3. BOTH CITIBANK AND GON WISH CITIBANK APPLICATION TO BE TREATED
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PAGE 02 KATHMA 05293 220725Z

AS CONFIDENTIAL INFORMATION DUE CONCERN NOTED ABOVE, AND

CITIBANK ASSESSMENT THAT ONLY ONE INTERNATIONAL BANK WILL BE ALLOWED TO OPEN BRANCH, AT THIS TIME, IN NEPAL. MESERVE FEARS THAT APPLICATION BY OTHER INTERNATIONAL BANKS, OR INDIAN BANKS, SHOULD THEY LEARN OF CITIBANKS' INTEREST, WOULD MAGNIFY DIFFICULTIES OF GON DELIBERATIONS WITH RESULT THAT DECISION MIGHT NOT BE FORTHCOMING FOR SOMETIME.

4. COMMENT: OVER COURSE OF LAST SIX MONTHS, EMBASSY HAS INFORMED VARIOUS AMERICAN BANK OFFICIALS CALLING AT EMBASSY THAT ATTITUDE OF GON TOWARDS FOREIGN BANKS MIGHT BE CHANGING. EMBASSY'S ECONOMIC TRENDS REPORT OF JULY 19, 1973, ALSO NOTED THAT POTENTIAL MARKET FOR SERVICES OF AMERICAN BANKS IN NEPAL WAS GROWING. CARGO

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